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East Asia Biweekly Review

18 April 1978

Secret

RP EABR 78-009
18 April 1978

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EAST ASIA BIWEEKLY REVIEW

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This publication is prepared for regional specialists in the Washington community by the East Asia/Pacific Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the National Foreign Assessment Center. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Philippines: Status Report on Base Negotiations

Disappointed with the size of the compensation package offered by the United States last month (\$400 million over a five-year period), the Philippine Government is again attempting to secure agreement on a broad understanding or an amendment to the 1947 Military Bases Agreement (MBA)--dealing with the sovereignty issue alone--and is leaving the delicate and complicated compensation question for later.

Both President Marcos and Defense Secretary Enrile appear to have concluded that their best negotiating tactic is to adopt a somewhat tougher stand on such controversial issues as criminal jurisdiction and the role of the US and Philippine base commanders, indicating that the size of the US compensation package does not allow the Philippine side sufficient flexibility to respond positively to the US base proposals.

They have taken the position that, as far as they are concerned, one of a particularly unacceptable aspect of the US base proposals is their subjection to the annual appropriations process in Congress--in lieu of the previous US administration's offer to include a multiyear binding commitment in a revised MBA.

Despite assurances that "best faith efforts" letters will be exchanged between the US executive branch and the Philippines concerning the compensation to be requested annually from Congress, President Marcos obviously would prefer to secure a longer term compensation commitment, without the attendant risk of having his human rights record reviewed annually by the US Congress.

Defense Secretary Enrile has asserted that the Philippines would prefer to tailor its proposals to ensure their acceptance by the US executive, even though they may later be rejected by Congress.

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At the moment, the Philippine negotiations are evidently formulating new proposals clearly spelling out complete Philippine sovereignty over the bases--a point they wish to have as the keystone of a broad amendment to the present MBA. Once agreement has been reached on this principle, they then will be willing to move on to separate agreements dealing with such matters as the leaseback of certain areas for exclusive US use and the role of the Philippine base commander.

These implementing agreements would be worked out between the concerned US and Philippine departments, that is, military or foreign affairs.

25X1C The principal stumbling block, however, to substantial progress toward a new arrangement for the US military remains the magnitude and composition of the compensation the Philippines will accept. Philippine negotiators promised to make a counterproposal to the US sometime after the national assembly elections. [REDACTED]

[REDACTED] the Philippine military working group, which has been long involved in the base negotiations, has drafted a new proposal asking for \$500 million in grant aid and security support assistance (SSA) over the next five years (the US package contained \$30 million in grant aid and \$150 million in SSA). The US grant proposal is reasonably consistent with the grant components in proposed US base agreements with Spain and Turkey.

Philippine officials anticipate that the present US economic assistance program, now approaching roughly \$100 million annually, will be maintained. In addition, Philippine negotiators confided that they will seek an undisclosed sum of credits under the foreign military sales (FMS) program. The US included an offer of \$220 million in FMS financing in the five-year, \$400 million package proposal--a figure sufficient to meet the major requirements for Philippine external defense.

Philippine officials are naturally intent on securing as much grant aid as possible, and appear to be receptive to the notion of an SSA component--especially as it is a flexible program of grant assistance and could, if Marcos so desired, be portrayed as similar to

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previous Philippine demands to put the bases on a "rental" basis.

There is no question that high-level Philippine officials are aware of the difficulties they face in the US Congress if they press for large-scale military assistance. At the same time, they are aware of the value of the bases to US security. Although whatever counterproposal they come up with on compensation will be negotiable, it probably will not be very far off the mark from the previous administration's offer of \$500 million in military assistance over five years.

Moreover, the current uncertainties and ambiguities in the relationship between the US executive and legislative branches--particularly in an election year--are hardly conducive to impelling Marcos to bring the negotiations to a speedy conclusion. In addition, the prospect of dealing with a new US Ambassador and the possibility of human rights repercussions from the parliamentary elections will serve to reinforce Marcos in his already cautious approach to the base negotiations.
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Soviets Have Exclusive Use of North Korean Port

Since at least late 1975, the Soviet Union has had transshipment privileges at the North Korean port of Najin in northeastern North Korea. This arrangement evidently is designed to ease the congestion at ports in the Soviet Far East until the Soviet Union can develop and expand its port facilities. According to recent information, the number of Soviet merchantmen entering the port has gradually increased to about 8 to 10 ships a month. They discharge general goods destined for the Soviet Far East and take on wheat flour and cement for Vietnam.

The scheme for using Najin as a transit port for Soviet foreign trade freight was described in the Soviet journal Economic Gazette in June 1976. It said the freight moves between the Soviet border town of Khasan and the port of Najin by railroad. The Soviet Union, according to the journal, provided assistance in "technically equipping" the port of Najin and laid an "additional railroad branch line" to the port.

The reference to rail construction may have given rise to persistent rumors that the Soviets have extended their broad-gauge rail system into North Korea to the port of Najin, a distance of about 20 miles. One report in late 1977 went so far as to allege that the wider Soviet track eventually would replace the standard-gauge track of the North Korean rail system all the way to the capital of Pyongyang. Available evidence indicates, however, that the Soviet broad-gauge track extends only to the border, where the goods are transferred to North Korean trains at a specially equipped transshipment yard.

What the Soviet journal did not report is that all other foreign ships have been excluded from Najin since the transit arrangement went into effect. This condition may have been imposed by the North Koreans in order to minimize public exposure of the deal. Pyongyang is extremely zealous in guarding against even the appearance

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of yielding to outside influence. Soviet merchant ships as well as those from other countries that trade with North Korea continue to make regular calls at other North Korean ports that handle international shipping on both the east and west coasts.

It is not clear what benefit Pyongyang is deriving from this arrangement at Najin, although the Soviet journal described it as a "mutually advantageous" project. North Korea may be charging a transit fee or the transit services may be subsumed in the current five-year bilateral trade agreement which began in 1976. In recent years North Korea has not been able to meet its export obligations to the Soviets, and the transit arrangement is one way that Pyongyang could provide services as a substitute for export goods. In any event, there is no evidence to indicate that the Soviet Navy is using Najin, and the declaration last August by North Korea of a 50-mile coastal security zone makes the prospect of a Soviet naval role at Najin remote.
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Cook Islands: A Bought Election

The circumstances of the incumbent Cook Islands Party's victory in the 30 March elections could set off an extended period of political contention in the South Pacific territory, a self-governing state in free association with New Zealand.

The government's reelection, with 15 of the 22 seats in the legislative assembly, was achieved through the votes of Cook Islanders shuttled in by air from New Zealand. These expatriates outnumber the 18,000 island residents. The flights were chartered by Premier Sir Albert Henry, and passengers were charged only \$20. The opposition Democratic Party has challenged the legality of this tactic and vows to carry its appeal all the way to the Privy Council in London. The episode has also prompted an investigation by the New Zealand Government to determine if any of its aid money was used to finance the flights.

The Democrats held a 12 to 10 seat edge until the separately counted fly-in votes were tallied. The Democrats also flew in supporters but charged each \$245. They claim that if their "full fare" votes were counted and the Cook Islands Party's "illegal discount fare" votes disallowed, the 15 to 7 division of legislative seats would have been exactly reversed.

A campaign charge by Henry that New Zealand was financing the opposition strained relations with New Zealand. Wellington reminded the Premier that the Cooks are free to declare independence at any time, implying that New Zealand would be happy to be relieved of the burden of underwriting the islands' economy. It is unlikely that Henry would choose independence. This would deprive the Cook Islanders of their New Zealand citizenship and remove the safety valve for economic discontent afforded by free access to New Zealand for job-seeking islanders.

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Premier Henry has dominated the Cook Islands since the granting of self-governing status 13 years ago. Many islanders have tired of his autocratic manner, however, and increasingly resent his blatant nepotism and neglect of opposition-controlled islands. The Cook Islands situation is symptomatic of the fragility of the political framework of young South Pacific island nations. The frustration of Cook Islanders over limited opportunities and over the Henry family control has parallels elsewhere in the area.

Infrequent US contacts with the Cook Islands are conducted through New Zealand. Henry's annoyance over US failure to drop a claim to several of the northern islands of the chain led him last summer to reject a US offer of a Peace Corps program. (CONFIDENTIAL)

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Japan: Selected Chronology

28 March The Egyptian Minister of Information and Culture returns to Cairo after talks in Tokyo with Foreign Minister Sonoda on the situation in the Middle East. (U)

 The Foreign Ministry announces that Senkuro Saiki, envoy to Hungary, will be the new Ambassador to Kenya. (U)

1 April Jose A. Guerra Menchero is appointed Cuban Ambassador to Japan. (U)

4 April The Foreign Ministry announces the following personnel changes:

 Nobuo Matsunaga is appointed Ambassador to Mexico.

 Ambassador to Venezuela Shinichi Sugihara is named Ambassador to Hungary.

 Minister to the Soviet Union Susumu Matusbara and Minister to the UN Sadako Ogata are promoted to the status of envoy extraordinary and minister plenipotentiary. (U)

 Japan and the USSR sign a cultural and scientific exchange agreement in Moscow. (U)

5-9 April Bangladesh President Rahman arrives for a state visit and talks with Prime Minister Fukuda. (U)

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5-15 April Ko Maruyama, the Japan Defense Agency's Vice Minister for Administration, visits Iran, Thailand, and Turkey. (U)

9 April Japanese Minister of State for Foreign Economic Affairs Ushiba visits Geneva for talks with the EC and US on trade. (U)

10 April Yukio Hayashida, a conservative independent supported by the Liberal-Democratic Party and the New Liberal Club, won the gubernatorial election held in Kyoto Prefecture--this is the first conservative victory in Kyoto Prefecture in 28 years. (U)

11-12 April The fifth conference of the Philippines-Japan economic cooperation committee is held in Manila to discuss trade and investment problems. (U)

11-16 April Agriculture-Forestry Minister Ichiro Nakagawa leaves for Moscow for talks with Soviet Fisheries Minister A. A. Ishkov on Japanese salmon fishing operations in the northwest Pacific and the conclusion of a bilateral fisheries agreement. (U)

12-16 April Tokyo protests the incursion of Chinese fishing vessels in waters surrounding the Senkaku Islands. The area, which is claimed by China, Japan, and Taiwan, is a potential site for undersea petroleum resources. After Chinese vessels finally withdrew, Peking promised "to investigate the incident." (C)

14-19 April Northern Marianas Senate President Lorenzo Guerrero and House Speaker Oscar Rasa visit Tokyo to make

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14-19 April informal preliminary contact with
 Japanese officials about war claims.
 (U)

17-21 April West German President Scheel and
 Foreign Minister Genscher will visit
 Japan. (U)

18-21 April Australian Prime Minister Malcolm
 Fraser will visit Japan to exchange
 views with Japanese Government leaders
 on international economic problems.
 (U)

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